

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas City)
Power & Light Company for Approval to Make)
Certain Changes in its Charges for Electric) Case No. ER-2010-0355
Service to Continue the Implementation of its)
Regulatory Plan.)

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) Case No. ER-2010-0356
Approval to Make Certain Changes in its)
Charges for Electric Service)

MISSOURI GAS ENERGY’S STATEMENT OF POSITION

COMES NOW Southern Union Company d/b/a Missouri Gas Energy (MGE), and, as its Statement of Position, states as follows to the Missouri Public Service Commission (the “Commission”):

INTRODUCTION

MGE is a natural gas local distribution company providing natural gas service to approximately 515,000 customers in its Commission-certificated service territory in 30 counties in western Missouri. Although not identical, MGE’s service territory in the Kansas City metropolitan area and in the St. Joseph area matches up well with the Missouri service territory of both Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO).

The use of natural gas rather than electricity in certain end-use residential applications results in (1) increased energy efficiency, (2) consumer energy cost savings, and (3) reduced environmental impacts. In spite of these facts, certain aspects of the KCPL and GMO tariffs serve to encourage the use of electricity over natural gas through discounted rates which

ultimately act to the detriment of the consumer and promote an inefficient use of natural resources.

MGE has intervened in these cases in order to bring to the Commission's attention a demand side management (DSM) proposal and certain rate design issues. MGE recommends the initiation of a fuel switching program by KCPL and GMO in Missouri as part of these companies' energy efficiency and conservation measures. Encouraging the "right fuel for the right use" will have a positive impact on consumers, will encourage movement to energy efficient appliances, and will benefit KCPL and GMO's DSM programs. MGE also proposes the elimination of KCPL and GMO's discounted residential electric rates and certain facilities extension practices. These policies encourage inefficient energy choices for builders and consumers.

MGE's proposals are cost effective ways to promote energy efficiency and conservation in Missouri.

ISSUES

On January 7, 2010, the Staff of the Commission (Staff) filed a List of Issues. In the following paragraphs, MGE will provide its position as to the issues on which MGE has filed testimony. MGE takes no position at this time as to the other issues that have identified in the List of Issues.

RATE DESIGN/CLASS COST OF SERVICE STUDY

13. Should KCPL's discounted residential electric rates, specifically, Rate B – Residential General Use and Space Heat – One Meter; Rate C – Residential General Use and Space Heat – 2 Meters; and Rate D (applicable to electric space and water heating)—be eliminated?

MGE Position: Yes, the discounted residential electric rates -- Rate B – Residential General Use and Space Heat – One Meter; Rate C – Residential General Use and Space Heat – 2 Meters;

and Rate D (applicable to electric space and water heating) -- should be eliminated and all of KCPL's residential customers should be served under Rate A – Residential General Use.

This action is appropriate because: 1) the discounted rates are being subsidized by KCP&L's Residential General Use rates; and, 2) the discounted rates serve as an inappropriate incentive for customers of KCP&L to use electricity for certain applications, including space and water heating, when electricity is not the most efficient or effective fuel source for those applications.

MGE Testimony – Michael R. Noack, Direct (p. 2-7) and Surrebuttal (p. 2-8, 9-10), Case ER-2010-0355 (KCPL)

55. Fuel Switching Program: Should the Commission order the implementation of MGE's proposed fuel switching program?

MGE Position: The Commission should adopt a fuel switching program to be implemented by KCPL and GMO. This innovative program would be a cost effective way to promote energy efficiency and conservation by offering financial incentives to KCPL and GMO customers to convert certain end-use applications such as water heating and space heating from electricity to natural gas. The proposed fuel switching program would benefit KCPL and GMO customers through lower energy use and reduced energy bills, while simultaneously reducing or deferring baseload capacity additions and reducing CO2 emissions. Implementation of the fuel switching program is consistent with the intent of electric DSM programs (i.e., to cost-effectively reduce electricity demand), is consistent with the State's focus on energy efficiency, and is in the public interest.

MGE Testimony – John J. Reed, Direct (All) and Surrebuttal (All), Cases ER-2010-0355 (KCPL) and ER-2010-0356 (GMO)

RATE DESIGN/CLASS COST OF SERVICE STUDY

74. Facility extension practices: Should KCPL/GMO be allowed to offer discounts or refunds to customers or developers in exchange for agreeing to install heat pumps?

MGE Position: The “Heat Pump Subdivision Agreement” utilized by KCPL and GMO offers residential developers incentives if their subdivisions of single family homes are equipped with heat pump equipment. This facilities extension practice serves as an inappropriate incentive for developers to install electric space heating equipment when electricity is not the most efficient or effective fuel source for that application. MGE recommends that KCPL and GMO cease to offer the facility incentives to developers.

MGE Testimony – Michael R. Noack, Direct (0355 – p. 7-8; 0356 - p. 8-9) and Surrebuttal (0355 – p. 8-9; 0356 - p. 8-9), Cases ER-2010-0355 (KCPL) and ER-2010-0356 (GMO)

87. Should the residential electric space heating rates for both MPS and L&P, specifically, MPS Rate MO870 – Residential Electric Space Heating, L&P Rate MO920 – Residential Service – with Electric Space Heating; and L&P Rate MO922 – Residential Space Heating/Water Heating – Separate Meter be eliminated?

MGE Position: Yes, the discounted residential electric rates -- MPS Rate MO870 – Residential Electric Space Heating, L&P Rate MO920 – Residential Service – with Electric Space Heating; and L&P Rate MO922 – Residential Space Heating/Water Heating – Separate Meter) -- should be eliminated. All of GMO’s residential customers in the territory served as MPS should thereafter be served under Rate MO860 – Residential General Use and residential customers in the territory served as L&P should be served under Rate MO910 – Residential Service- General Use.

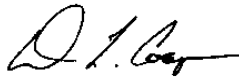
This action is appropriate because: 1) the discounted rates are being subsidized by GMO’s Residential General Use rates; and, 2) the discounted rates serve as an inappropriate incentive for customers of KCP&L to use electricity for certain applications, including space and

water heating, when electricity is not the most efficient or effective fuel source for those applications.

MGE Testimony – Michael R. Noack, Direct (p. 3-8) and Surrebuttal (p. 2-8, 9-11), Case ER-2010-0356 (GMO)

WHEREFORE, MGE respectfully requests that the Commission consider this statement of position.

Respectfully submitted,



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ATTORNEYS FOR MISSOURI GAS ENERGY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 12th day of January, 2011, to the parties of record.

